

October 29, 2007

PUD explores power options

Regional alliance may offer alternatives

By KATHY GRAY
of *The Chronicle*

Northern Wasco County PUD mostly likely will be looking for regional assistance as it explores the uncertain future of Pacific Northwest power supplies.

PUD commissioners met Oct. 23 with John Saven, chief executive officer of Northwest Requirements Utilities, a firm that plans to develop power supply and transmission options for a number of regional public power utilities.

As Bonneville Power Administration looks ahead to limits on its relatively cheap federal hydropower supplies, of one thing there is little doubt: Electricity customers will see their power bills rise.

While utilities, including Northern Wasco, will still be able to fill the bulk of their power needs through federal power at preferred rates, anything over that preferred-rate allotment must come from other sources. BPA will offer some options, but the cost of those options is uncertain, said Saven.

Those who choose to buy Bonneville power to serve the rest of their load will be expected to sign contracts extending as far into the future as 2014 without knowing what the rates for that extra "Tier 2" power will be.

Bonneville's preferred power rates are about \$27 per megawatt hour, but alternative resources to meet load growth could be three times or more as much, Saven said, no matter whether they are acquired from Bonneville or elsewhere.

"In 2004, wind was \$40 to \$60 a megawatt hour, now it's showing for 2006 in the \$80 to \$100 range," Saven said. "Natural gas is in the \$70s to \$100 per megawatt hour."

Wind, natural gas and other renewables will be the primary power sources Northwest Requirements Utilities will look at to meet load growth needs, Saven said.

"We're not looking at creative technology," he said, using wave generation as an example. "It's got to be realistic power that can be delivered in 2012."

Coal, also, will not be part of the NRU power portfolio, Saven noted, because climate change concerns and the potential for carbon taxes have made it less feasible.

"We're going to try to move forward and put people in a position where they can make informed choices about Bonneville and nonfederal power," Saven said.

Key issues as the process moves forward include utility credit worthiness, Saven noted.

"Rates for borrowing are largely based on the perception of credit worthiness," he said.

Agency philosophy is another issue utilities may choose to tackle, Saven noted. Pursuit of jobs for a community, for example, can accelerate load growth.

"It's a decision you need to think about fairly carefully," he said.

Commissioners noted that the PUD does have some of its own power resources to draw on from small

hydropower projects they developed at The Dalles and McNary dams in the 1990s.

Saven said NRU would also look at the viability of investing in power generation. NRU includes 53 public power utilities as members, including Northern Wasco County PUD. As the organization undertakes the supplemental power project, it is seeking additional funding from its member utilities. On top of the usual annual dues, it is asking for half again as much, \$10,181 more in Northern Wasco's case, with a goal of raising \$325,000 to fund the project.

To raise that much money, the organization will need agreement of at least 65 percent of its membership, measured by amount of dues.

Several commissioners were prepared to make a decision that night, but Saven isn't asking for a decision until December, after the proposal has been presented to all NRU members.

"I think this is good monetary prudence," said Commissioner Milt Skov.